



MINUTES

LOSS TRUST FUND BOARD MEETING 7447 E. Indian School Rd., Suite 210 Finance Conference Room Scottsdale, AZ

**January 25, 2016
5:04 p.m.**

PRESENT: Jim Stabilito, Chairman
Pauline Hecker
Jim Tomlinson (arrived at 5:09 p.m.)
Suzanne Welch

ABSENT: Matthew Kleifield, Vice Chair
Paul McKee

STAFF: Katie Callaway, Risk Management Director
Jeff Nichols, City Treasurer
Lauran Beebe, Human Resources Manager

GUESTS: Charlie Broucek, Hayes Companies

1) CALL TO ORDER

Chair Stabilito called the meeting of the Loss Trust Fund Board to order at 5:04 p.m.

2) ROLL CALL

A formal roll call confirmed the presence of Board Members as stated above.

OLD BUSINESS

- 1) Approval of the December 1, 2015 meeting minutes

Risk Management Director, Ms. Katie Callaway, provided two minor corrections.

BOARD MEMBER HECKER MOVED TO APPROVE THE MINUTES OF THE DECEMBER 1, 2015 MEETING AS AMENDED. BOARD MEMBER WELCH SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF THREE (3) TO ZERO (0). VICE CHAIR KLEIFIELD AND BOARD MEMBER MCKEE WERE ABSENT. BOARD MEMBER TOMLINSON HAD NOT YET ARRIVED.

NEW BUSINESS

- 1) Farewell and Thank You to Jim Tomlinson and Pauline Hecker

Chairman Stabilito noted that Jim Tomlinson's term on the Board ends at the conclusion of this meeting. Pauline Hecker is stepping down, due to her husband's acceptance of a job offer in California. Chairman Stabilito thanked her for her service.

Jim Tomlinson joined the meeting at 5:09 p.m. and Chairman Stabilito thanked him for his service.

- 2) Introduction of New Board Member, Suzanne Welch

Ms. Welch was welcomed to the Board. She provided a summary of her career experience working for insurance brokers for a number of years, for the City of Scottsdale in risk management for 13 years and her current employment with Southwest Aviation Insurance.

- 3) Review, discuss and take action on the submission of the Trustee Fund Status Letter to the Mayor and City Council

Ms. Callaway referenced the January 25, 2016 letter and reminded Board Members that they had reviewed the Loss Trust fund annual report and the actuary's report during the December Board meeting. The Board is required to send a report of the Fund's finances to the City Council each year.

Board Member Welch stated her understanding that all Board Members were to sign the letter before it was sent to the City Council. Board Member Tomlinson disagreed, noting that in the past, when he served as Chair, he signed on behalf of the Board.

Ms. Callaway stated that she would research this question, however, she was unaware of any language that specifically addressed this. Jeff Nichols, City Treasurer, reviewed Section 5.2 of the Loss Trust Fund Advisory Board specifications, which indicate that all written communications to the City Council and other official bodies shall be sent over the signature of the Board Chair or the Vice Chair, if the Chair is not available.

BOARD MEMBER TOMLINSON MOVED TO APPROVE THE TRUSTEE FUND STATUS LETTER TO THE MAYOR AND CITY COUNCIL. BOARD MEMBER HECKER SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF FOUR (4) TO ZERO (0). VICE CHAIR KLEIFIELD AND BOARD MEMBER MCKEE WERE ABSENT.

4) Review, Discuss and Take Action on the Submission of 2015 Annual Report to Council for Fiscal Year 2014/2015

Ms. Callaway stated it is the City Clerk's requirement for every board and commission to submit a summary of their actions for the last year. Two meetings were held with significant topics, including approval of medical plan premiums and approval of the annual report of last year.

Board Member Welch correct the spelling of her name. Board Member Tomlinson provided a grammatical correction.

BOARD MEMBER HECKER MOVED TO APPROVE THE LOSS TRUST FUND BOARD ANNUAL REPORT TO COUNCIL AS AMENDED. BOARD MEMBER TOMLINSON SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF FOUR (4) TO ZERO (0). VICE CHAIR KLEIFIELD AND BOARD MEMBER MCKEE WERE ABSENT.

5) Review and Discuss Fiscal Year 2015/2016 Medical Plan Premiums

Lauran Beebe, Human Resources Manager and Charlie Broucek, Hayes Management Consulting, presented the item. Ms. Beebe reviewed that at this time each year, the previous six months of claims are reviewed and analyzed. Three plan options are up for consideration, including pharmacy option plan changes.

Mr. Broucek stated that the City buys stop loss insurance at \$325,000 annually per individual claim. The underwriting process includes examining claims below this threshold and compares the City's information to a database of information in order to make projections. The process looks at 2013/2014, 2014/2015 and 2015 year to date (or first six months of the plan year) for comparison purposes. For claim amounts of \$50,000 to \$100,000, the database projects that 26.3 individuals would be in this category. The actual is 29. Of the 29, 16 approach a figure of \$75,000 and six approach \$100,000. There are approximately 52 individuals in the range from \$25,000 to \$49,999. This compares well to database thresholds. The number of actual claims in the higher categories is currently approximately half of the projection.

For the 2015 year to date segment, there is \$10.429,000 in medical claims with the total claims for this fiscal year projected at approximately \$21,700,000. Drug cost averages are \$96.85 per member per month or \$449 as the year to date cost trended forward. The figures for the previous time periods are \$392 and \$428. The amounts for the three time periods are then weighted. The weighting percentages are: 10 percent for 2013/2014, 15 percent to 2014/2015 and 40 percent to 2015 year to date. When the amounts are weighted, the resulting figure is \$429.02.

There are currently 5,555 members on the plan, which breaks down to \$2.383 million in monthly claims. There are 2,234 employees enrolled on the plan reflected in a per employee per month figure of \$1,066.

Fixed costs include CIGNA's per employee per month administrative fee of \$16.45. The City adds back fees, including wellness fee and consulting fee, totaling \$10.04 per employee per month. The stop loss percentage is being trended forward at 18 percent or \$24.47 per employee. There is a per employee per month ACA, healthcare reform

related cost of \$6.03. An RX rebate is expected in March and is anticipated to be approximately \$500,000. Projected expenditures for the 2016/2017 period total \$29,626,000.

Board Member Hecker inquired about the RX rebate, to which Mr. Broucek replied that most plans receive some level of rebate on certain drugs that fall into the brand category.

Mr. Broucek noted that the City and CIGNA are discussing a few alternative programs which would provide greater management of prescription drug costs than exists at this time. Ms. Beebe discussed that the step therapy program impacts 224 people. The program requires individuals to try specified alternative drugs. The estimated cost saving for this program is \$145,000. Another program is actual drug removal, which would impact 138 people and result in \$600,000 savings. This would require individuals to switch from brand name drugs to generics.

Chair Stabilito asked whether rebates were available for any of the cited drugs. Mr. Broucek replied that this would take some research. Ms. Beebe acknowledged that when the option was presented to the Benefit Coordinating Committee and the EBWT, there were some concerns. However, if the option was approved, the affected members would be immediately contacted to allow several months to make adjustments.

Ms. Beebe addressed another proposed change to the tier structure, which would impact 300 people and result in at a cost savings of \$30,000. Input from the Benefit Coordinating Committee and the EBWT was that this might cause more trouble than it was worth. The second proposed change would limit the pharmacy network by excluding companies such as Walgreens and CVS, where prescriptions are generally priced higher and instead filling prescriptions at places such as Costco, Sam's Club or Fry's. There were concerns regarding the limitation of 24-hour availability of prescription refills. However, the EBWT was open to encouraging members to use less expensive pharmacies in order to achieve savings.

Mr. Broucek discussed prior authorization fees and the need for members to communicate with their physicians about lifestyle and habit issues to see if those might be addressed prior to the prescribing of a drug.

He reviewed additional options. Currently there are three plan designs. The first is an HMO lookalike, utilizing the same large CIGNA network as the other two plans, except that there are no out of network benefits. There is a movement in the health insurance industry to move toward more restrictive networks. In the example provided, the plan design does not change. However, the in network plan would move to the CIGNA Local Plus Network. This means that members would have to go to Banner, Honor Health and CIGNA Medical Group facilities. This includes primary care and specialist providers. The largest providers that would be lost under this plan would be Mayo Clinic and Phoenix Children's.

The two remaining plan options would remain on the larger Open Access Plus network and would include both in and out of network benefits. The provided analysis assumes a migration of 15 percent of the population out of the current in network plan into the CIGNA OAP Plan in all tiers.

Chair Stabilito ask if there will be a change in the way contributions are structured to address gaps. Mr. Broucek replied that it would change slightly. On an overall basis, for the in network plan, the percentage is 80/20. The middle plan is 85/15 and the high deductible health plan is approximately 90/10.

Mr. Nichols commented that he would be going before the Council tomorrow regarding two retiree health plans. One is a continuing, ongoing healthcare plan for disabled emergency workers. In this case, the Trust is not receiving all the money it should from the General Fund. He will be requesting the Council to make a transfer. The other plan phases out offering retiree health insurance. He explained that Council had directed that the rates be set to recover the full costs, so there was no subsidy and no disclosure required in the comprehensive annual financial report. This was attempted, with a raise in rates implemented twice in two years. However, it was not possible to raise the rates enough to cover the plans. Eventually, people self-migrated out of the plans. When people knew they would be leaving the plans they "did all their shopping" prior to leaving, which caused an increase in costs. Mr. Nichols would be asking that \$905,000 be returned from the General Fund to the Health Trust Fund to cover the two plans.

Mr. Broucek stated that if there is a known subsidy into the trust year over year, based on the disabled retirees, then there should be a decrement in the underwriting. Mr. Nichols replied that this is a one-time issue. However, it will be requested of the Council that they need to budget for an expected subsidy coming from the General Fund each year, as it was Council's decision to allow retirees to pay the same rate as employees.

Board Member Hecker referred to the cost of option one at \$568.40 for the CIGNA OAP in network and asked whether this was just the employee portion or the total. Mr. Broucek stated that this was the total amount and that the employee portion is roughly 20 percent.

OPEN CALL TO THE PUBLIC

Michael Mason stated that there is nothing in the Risk Trust Fund Plan that was presented to address the liability exposure, the workers' comp exposure or the safety exposure, specifically in regards to cost and severity of losses. As a former employee, he has regular contact with current employees. There seems to be a lack of continuity as to who Risk Management is, what they do, and their involvement with staff. He stressed concern that employees do not feel their safety and health is valued by the City; this sentiment has been ongoing for six years. He cited the lack of emphasis on employee safety and the death of former employee Tom Hontz, stating that he did not wish to see another employee lose their life. Chair Stabilito thanked Mr. Mason for his comments.

ADJOURNMENT

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 6:06 p.m.

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